

Fiscal Highlights

Medicaid Costs Projected to Rise - Russell T. Frandsen

Medicaid - What is Included in Consensus for Mandatory Costs?

The Medicaid forecast team (Legislative Fiscal Analyst, Governor's Office of Management and Budget, and the Department of Health) estimates costs to the General Fund in FY 2016 of \$18.0 million one-time and an ongoing of \$37.8 million in FY 2017. The consensus forecast for FY 2016 from February 2015 estimated cost increase for Medicaid of \$11.9 million, but no additional funding for FY 2016 was provided during the 2015 General Session. The forecast accounts for legislative appropriations changes in FY 2016 and FY 2017. Additionally, this is the second year where the consensus estimates do not include a cushion (extra money for unforeseen circumstances) in estimates. Each of the items in the forecast has a more detailed discussion below:

Caseload - \$12.2 Million in FY 2017

1. Change in caseloads - estimated increase of 11,700 or 4% in the number of clients in FY 2016 and 3,900 or 1% in FY 2017. The majority of the increase in FY 2016 is from children.
2. Federal medical assistance percentage - unfavorable change of 0.18% for an ongoing cost of \$2.6 million beginning in FY 2016 and an unfavorable change of 0.34% in FY 2017 at an additional ongoing cost of \$5.1 million.
3. Collections by the Office of the Inspector General, Medicaid Fraud Control Unit, and Office of Recovery Services - the estimates assume that collections from these three entities will be lower by \$3.4 million in FY 2016 and \$4.4 million in FY 2017 as compared to FY 2015 collection of \$18.2 million. These estimates represent each of these three agency's low estimates of collections.
4. Medicaid to CHIP adjustment - transfer of \$4.1 million ongoing beginning in FY 2016 for children on Medicaid with incomes 100% to 138% of the poverty level who previously qualified for CHIP whose services are paid at the higher CHIP match rate. The Affordable Care Act increased Medicaid's income eligibility levels for children and removed an asset test. As a result of these changes, many CHIP children became eligible for Medicaid.

Inflationary Changes - \$18.2 Million in FY 2017

1. Accountable care organization contracts - \$4.5 million in FY 2016 and FY 2017 for 2% increases starting in January 2015 and 2016. Medicaid contracts with four accountable care organizations to provide about 50% of all services statewide. These organizations serve about 88% of clients. These contracts traditionally have annual increases.
2. S.B. 98, Medicaid Accountable Care Organizations - (<http://le.utah.gov/2015/bills/static/SB0098.html>) from the 2015 General Session requires that the base budget include an appropriation increase to the per member per month for Medicaid accountable care organizations equal to the projected General Fund growth factor up to at least 2%. The Department of Health estimates a \$2.3 million cost to the General Fund to complete the growth in the per member per month rate for Medicaid accountable care organizations by 2% over FY 2016.
3. Medicare Buy-in - The federal government requires the State to pay Medicare premiums and coinsurance deductibles for aged, blind, and disabled persons with incomes up to 100 percent of the Federal Poverty Level. Medicare cost sharing increases are projected to cost the State \$1.1 million in FY 2016 and \$2.1 million in FY 2017.
4. Clawback - payments began in 2006 when the federal government took responsibility for the pharmacy costs of clients that are dually eligible for Medicaid and Medicare. State payments are projected to increase costs by \$1.9 million in FY 2016 and \$3.9 million in FY 2017.

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5. Forced provider inflation - this includes cost increases to the State's fee-for-service program of \$3.1 million ongoing beginning in FY 2016 and an additional \$2.3 million in FY 2017 over which the state has no control due to federal regulation or has opted not to exercise more state control over cost increases. About 92% of the increases come from the following two areas: pharmacy drug reimbursement (\$1.8 million) and outpatient hospital (\$0.3 million). The \$1.8 million increase keeps the state's outpatient hospital reimbursement rates at 100% of Medicare rates. The federal government has announced plans to increase its Medicare outpatient reimbursement rates 2.1% in 2016.

Program Changes - \$7.4 Million in FY 2017

1. Autism increased federal requirements - \$3.0 million in FY 2016 and FY 2017 for a new federal regulation to provide autism spectrum disorder-related services when medically necessary for any Medicaid clients up to age 21 with autism spectrum disorder beginning July 1, 2015. Previously only clients qualifying as disabled qualified for these services or those served by the Utah pilot program for those ages 2 through 6. The funding includes 7.5% for administration of \$354,000 General Fund (\$708,500 total funds in FY 2016 and FY 2017). The administrative funding is 75% for utilization control and 25% for program administration. This administrative structure is the same one used for the Medicaid autism pilot in FY 2014 and FY 2013. Through October 28, 2015 there have been service claims of \$81,000 General Fund (\$274,000 total funds).
2. Orkambi - New prescription drug with an annual cost of \$257,400 indicated for clients 12 or older with cystic fibrosis who have two copies of the F508del mutation in their genes. Accountable Care Organizations estimated to have 108 eligible clients at an annual ongoing cost of \$3.0 million beginning in FY 2016. Fee-for-service 13 Utah counties not served by accountable care organizations are estimated to have 20 eligible clients at an annual ongoing cost of \$1.4 million beginning in FY 2016.

Children's Health Insurance Program (CHIP) - Why \$0 Cost Estimate?

From October 2015 through September 2019, the federal government will pay 100% of the costs for CHIP program services. There is enough money in CHIP to cover the state's share of costs from July through September of 2015 for FY 2016.

For more information please see the brief on this topic available at le.utah.gov/interim/2015/pdf/00005242.pdf.